

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

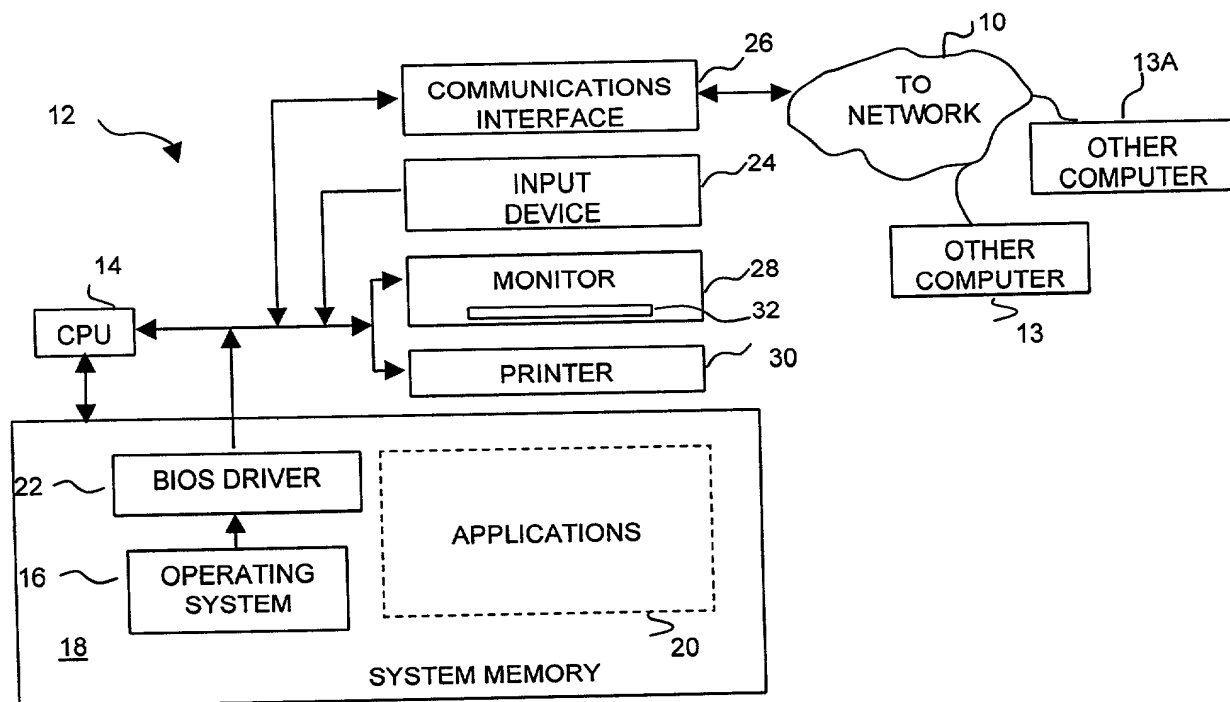


FIG. 1

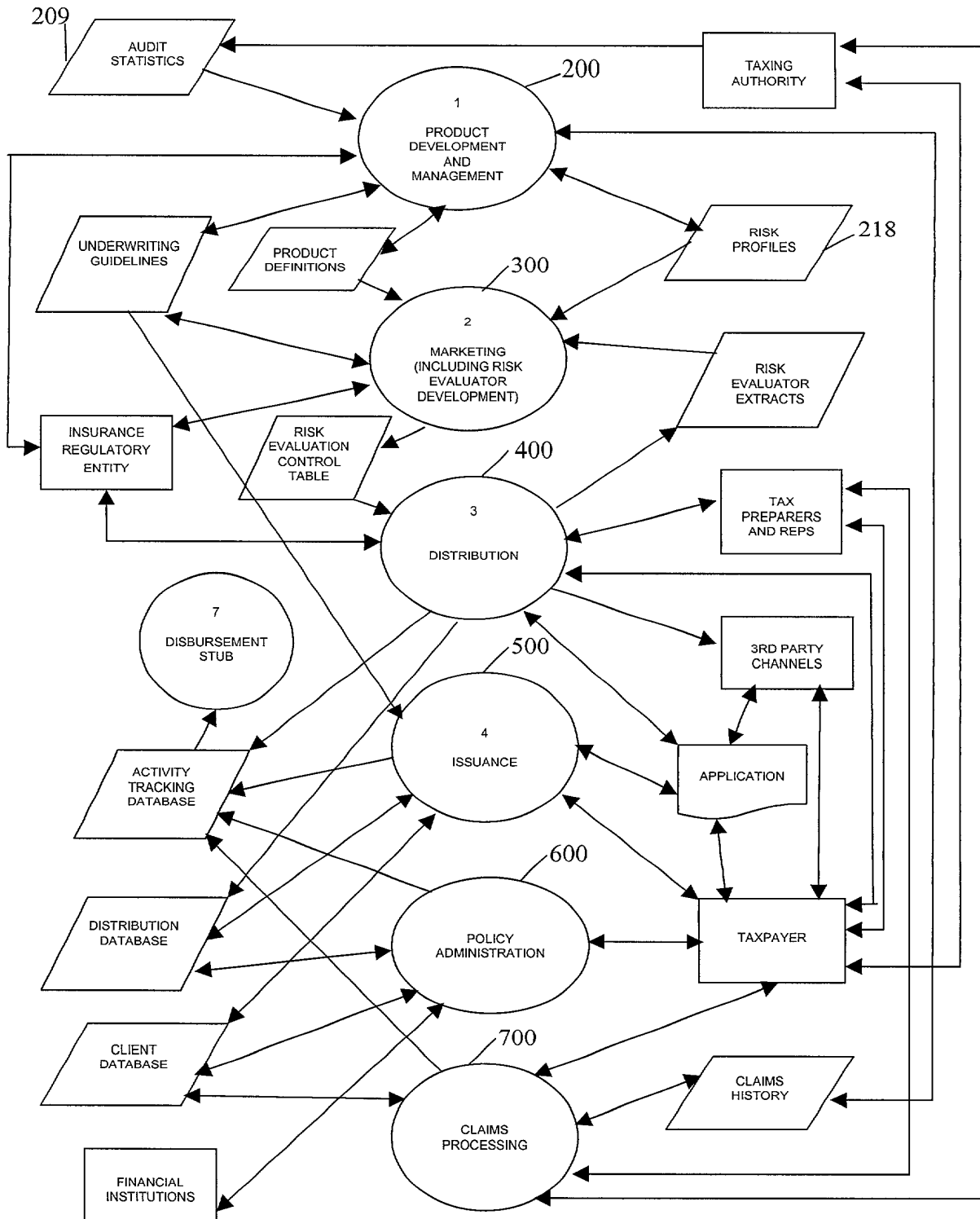


FIG. 2

# Title: METHOD AND SYSTEM FOR PROVIDING TAX AUDIT INSURANCE

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Table 11 - Returns Filed, Examination Coverage (1997)  
September 28, 1998 - September 28, 1997

	Returns Filed CY 1996		Revenue Agent			Returns Examined			Service Center (5)	Total (6)	Percent Coverage (7)	No Change Percent		
	(1)	(2)	Non CEP (3)	CEP (3)	Tax Auditor (4)	Tax Auditor (4)	Service Center (5)	Total (6)				Revenue Agent (8)	Auditor (9)	Service Center (10)
Grand Total	188,014,000	385,119	9,165	9,165	521,116	521,116	812,702	1,728,122	1.09	18	14	14	14	14
Income, Estate & Gift Total**	128,504,600	320,248	4,242	4,242	505,834	505,834	803,828	1,642,142	1.28	10	14	14	14	14
Individual Total*	118,352,600	209,551	230	230	460,081	460,081	703,828	1,512,243	1.44	6	11	11	11	11
1040A, TPI < \$25,000	45,889,300	21,984	7	7	136,037	136,037	203,828	659,094	1.21	10	12	12	12	12
Non 1040A, TPI < \$25,000	13,081,400	14,384	3	3	57,482	57,482	86,108	157,978	0.70	9	14	14	14	14
TPI \$25,000 < \$50,000	27,931,800	21,317	4	4	103,105	103,105	152,828	196,489	0.77	10	17	17	17	17
TPI \$50,000 < \$100,000	18,274,200	21,940	15	15	78,552	78,552	117,828	140,330	2.27	11	29	29	29	29
TPI \$100,000 and over	5,200,500	44,435	168	168	34,546	34,546	40,426	119,575	3.19	7	11	11	11	11
Sch C-TGR < \$25,000	2,464,700	12,874	1	1	27,453	27,453	27,453	70,861	2.57	8	12	12	12	12
Sch C-TGR \$25,000 < \$100,000	3,140,300	22,429	25	25	41,524	41,524	16,908	80,861	4.13	15	19	19	19	19
Sch C-TGR \$100,000 and over	1,770,700	45,978	1,253	1,253	14,856	14,856	12,188	73,048	1.28	18	26	26	26	26
Sch E-TGR < \$100,000	459,200	1,253	7	7	840	840	1,338	7,448	2.67	24	24	24	24	24
Sch F-TGR \$100,000 and over	270,700	65,317	2,795	2,795	1,838	1,838	3,145	69,650	1.17	22	27	27	27	27
Corporation, Total*	2,608,600	3,122	65	65	3,122	3,122	365	3,552	1.19	25	54	54	54	54
No Balance Sheet	304,700	18,339	13	13	18,339	18,339	174	18,846	3.52	28	45	45	45	45
Under \$250,000	1,587,000	15,018	10	10	10,100	10,100	201	15,202	7.78	26	51	51	51	51
\$250,000 < \$1 Mil	431,500	14,064	37	37	18,000	18,000	88	14,302	16.02	28	43	43	43	43
\$1 Mil < \$5 Mil	183,800	4,322	31	31	5,865	5,865	107	4,421	20.10	22	59	59	59	59
\$5 Mil < \$10 Mil	27,600	1,393	13	13	7,900	7,900	32	1,548	23.66	11	41	41	41	41
\$10 Mil < \$50 Mil	30,500	1,422	180	180	1,459	1,459	92	3,648	1.73	16	54	54	54	54
\$50 Mil < \$100 Mil	7,900	213	72	72	719	719	3,145	9,353	0.18	37	67	67	67	67
\$100 Mil < \$250 Mil	7,200	11,332	3	3	11,332	11,332	291	11,886	12.90	9	27	27	27	27
\$250 Mil and over	20,500	52,100	1	1	52,100	52,100	168	3,560	8.63	12	5	5	5	5
Excludable**	3,246,800	3,391	1	1	3,391	3,391	108	6,703	19.88	8	6	6	6	6
Estate Total**	80,600	6,596	1	1	6,596	6,596	17	47,431	47.43	20	23	23	23	23
Gross Estate < \$1 Mil	52,100	1,405	1	1	1,405	1,405	1	2,085	0.80	9	11	11	11	11
Gross Estate \$1 Mil < \$5 Mil	35,500	2,974	10	10	3,282	3,282	872	51,208	0.18	20	6	6	6	6
Gross Estate \$5 Mil and over	3,000	45,702	3,352	3,352	9,591	9,591	1	9,651	3.14	13	11	11	11	11
Gift**	232,000	20,908	261	261	2,409	2,409	12	24,701	4.40	48	75	75	75	75
Employment	28,723,000	7,106	447	447	23,007	23,007	36	23,898	1.04	34	45	45	45	45
Employment ROE**	788,400	23,007	13	13	23,007	23,007	13	23,007	1.04	34	45	45	45	45
Exclise	788,400	23,007	13	13	23,007	23,007	13	23,007	1.04	34	45	45	45	45
Miscellaneous Taxable	1,653,100	23,007	13	13	23,007	23,007	13	23,007	1.04	34	45	45	45	45
Partnerships**	1,653,100	23,007	13	13	23,007	23,007	13	23,007	1.04	34	45	45	45	45
Corporations**	2,290,900	23,007	13	13	23,007	23,007	13	23,007	1.04	34	45	45	45	45
Miscellaneous Nontaxable**	2,290,900	23,007	13	13	23,007	23,007	13	23,007	1.04	34	45	45	45	45

[1] Miscellaneous taxable includes the following:

a Taxable 1120S Corporations

b 1120FSC (Foreign Sales Corporations); and

c FIRPTA (U.S. Withholding Tax Return for Disposition by Foreign Persons of U.S. Property Interests, Form 8288)

[2] Miscellaneous nontaxable includes the following:

a 1120 DISC/IC DISC (DISC, Domestic International Sales Corporation); and

b REMIC (Real Estate Mortgage Investment Conduit); and

c Other Miscellaneous nontaxable forms not specified

[3] Lines marked with \*\* are included in the line titles: Income, Estate & Gift, Total

[4] Dashes (-) in these tables indicate either information is not applicable for that particular class of return or no returns were examined for that particular class of return

[5] All dollar figures are reported in thousands of dollars.

[6] Employment ROE --- This is Revenue Officer Examiner data (1996 and forward) included in Tax Auditor Numbers and is included in the Grand Total Line

[7] Reserved.

taxpayer efforts to recoup all, or part, of previously assessed and paid tax or penalty.

[8] CEP: Coordinated Examination Program

TGR: Total Gross Receipts

TPI: Total Positive Income

Source: 1997 Internal Revenue Service Data Book, Publication 559.

Continued on Part 2

Figure 2A (Part 1)

Table 11 - Returns Filed, Examination Coverage (1997)  
September 28, 1999 - September 28, 1997

Recommended Additional				Tax and Penalties (in thousands of dollars)				Average Tax and Penalty Per Return			
Revenue Agent				Non CEP	CEP	Tax Auditor	Service Center	Total	Non CEP	CEP	Tax Auditor
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
10,728,160	11,633,636	1,905,476	2,628,724	38,805,090	3,460	3,460	3,460	3,460	3,460	3,460	3,460
9,893,511	12,793,966	1,760,276	2,367,002	36,744,751	3,205	3,205	3,205	3,205	3,205	3,205	3,205
4,082,142	1,801,139	435,999	1,583,063	2,396,274	16,794	16,794	16,794	16,794	16,794	16,794	16,794
389,182	--	--	1,583,063	2,396,274	16,794	16,794	16,794	16,794	16,794	16,794	16,794
137,283	113	121,693	230,253	488,342	9,544	9,544	9,544	9,544	9,544	9,544	9,544
338,109	--	221,448	122,180	681,746	15,861	15,861	15,861	15,861	15,861	15,861	15,861
240,294	184	197,958	64,366	502,802	11,150	11,150	11,150	11,150	11,150	11,150	11,150
1,288,820	55,457	216,282	216,285	1,780,844	29,005	29,005	29,005	29,005	29,005	29,005	29,005
237,795	7	147,145	75,875	460,824	16,782	16,782	16,782	16,782	16,782	16,782	16,782
241,101	--	231,708	33,680	506,469	10,750	10,750	10,750	10,750	10,750	10,750	10,750
1,098,361	123,990	165,849	35,976	1,422,198	23,846	23,846	23,846	23,846	23,846	23,846	23,846
7,747	--	4,020	1,833	13,601	6,183	6,183	6,183	6,183	6,183	6,183	6,183
95,420	388	6,174	5,841	107,822	26,826	26,826	26,826	26,826	26,826	26,826	26,826
3,823,988	12,868,717	--	238,930	16,888,263	88,834	88,834	88,834	88,834	88,834	88,834	88,834
84,780	50,521	--	1,128	136,438	27,159	27,159	27,159	27,159	27,159	27,159	27,159
195,452	379	--	6,203	202,033	10,658	10,658	10,658	10,658	10,658	10,658	10,658
286,955	10	--	3,244	273,209	17,975	17,975	17,975	17,975	17,975	17,975	17,975
410,457	9,388	--	1,426	417,274	20,185	20,185	20,185	20,185	20,185	20,185	20,185
147,311	851	--	2,243	150,405	34,084	34,084	34,084	34,084	34,084	34,084	34,084
652,344	33,485	--	1,323	687,152	111,227	111,227	111,227	111,227	111,227	111,227	111,227
413,521	39,697	--	218,982	672,170	298,857	298,857	298,857	298,857	298,857	298,857	298,857
428,740	114,521	--	172	543,441	301,511	301,511	301,511	301,511	301,511	301,511	301,511
1,045,255	12,068,754	--	3,751	13,115,760	716,419	716,419	716,419	716,419	716,419	716,419	716,419
178,121	194,141	--	57	370,318	826,859	826,859	826,859	826,859	826,859	826,859	826,859
1,386,687	1,220	--	6,759	66,738	35,337	35,337	35,337	35,337	35,337	35,337	35,337
93,140	--	--	2,250	1,400,907	122,776	122,776	122,776	122,776	122,776	122,776	122,776
350,041	--	--	1,254	84,394	27,467	27,467	27,467	27,467	27,467	27,467	27,467
955,478	350,041	--	986	351,037	53,089	53,089	53,089	53,089	53,089	53,089	53,089
289,014	1,05,980	--	--	375,004	680,054	680,054	680,054	680,054	680,054	680,054	680,054
470,542	465,742	--	821	933,057	10,767	10,767	10,767	10,767	10,767	10,767	10,767
684,368	--	--	8,852	66,166	--	--	--	--	--	--	--
7,731	317,779	--	1,189	973,377	31,297	31,297	31,297	31,297	31,297	31,297	31,297
--	70,048	--	--	77,779	38,622	38,622	38,622	38,622	38,622	38,622	38,622

[1] Miscellaneous taxable includes the following:  
a. Taxable 1120S Corporations  
b. 1120FSC (Foreign Sales Corporations); and  
c. FIRPTA (U.S. Withholding Tax Return for Disposition by Foreign Persons of U.S. Property Interests, Form 9280)  
[2] Miscellaneous nontaxable includes the following  
a. 1120 DISC/IC DISC (DISC, Domestic International Sales Corporation); (IC, Interest Charge); and  
b. REMIC (Real Estate Mortgage Investment Conduit); and  
c. Other Miscellaneous nontaxable forms not specified.  
[3] Lines marked with "--" are included in the line files: Income, Estate & Gift, Total  
[4] Dashes (-) in these tables indicate either information is not applicable for that particular class of return or no returns were examined for that particular class of return  
[5] All dollar figures are reported in thousands of dollars  
[6] Employment RTOE -- --. This is (Revenue Off- or Examiner date (1999 and forward) included in Tax Auditor numbers and is included in the Grand Total line  
[7] Reserved  
[8] Taxpayer efforts to recoup all, or part, of previously assessed and paid tax or penalty  
[9] CEP: Coordinated Examination Program  
TGR: Total Gross Receipts  
TPI: Total Positive Income  
Source: 1997 Internal Revenue Service Data Book, Publication 558

Figure 2A (Part 2)

Continued from Part 1

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

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**GLOSSARY**

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DATA IDENTIFICATION	DATA SOURCE	DATA DESCRIPTION / MATHEMATICAL FORMULA
TYPE OF RETURN	DESCRIPTOR - TABLE 11	CATEGORY OF RETURNS (INDIVIDUAL VS CORPORATE)
FILING_CHARACTERISTICS_SUBSET	DESCRIPTOR - TABLE 11	IRS CLASSIFICATION OF FILERS (SUCH AS 'TPI \$100,000 AND OVER' or 'SCHEDULE C - TGR \$25,000 < \$100,000')
RETURNS FILED	DATA - TABLE 11	TOTAL TAX RETURNS FILED FOR EACH [FILING CHARACTERISTICS SUBSET]
TYPE OF AUDIT_SUBSET	DESCRIPTOR - TABLE 11	TYPE OF IRS AUDIT SUCH AS 'REVENUE AGENT' (RA), 'TAX AUDITOR' (TA), AND 'SERVICE CENTER' (SC)
'CLASSIFICATION KEY'	STIPULATED	STIPULATED FOR USE IN THIS DOCUMENT - REPRESENTS A KEY COMPRISED OF [TYPE OF RETURN], [FILING CHARACTERISTICS SUBSET], AND [TYPE OF AUDIT SUBSET]
RETURNS EXAMINED	DATA - TABLE 11	TOTAL RETURNS AUDITED FOR EACH [FILING CHARACTERISTICS SUBSET] AND [TYPE OF AUDIT SUBSET] COMBINATION
NO CHANGE PERCENTAGE	DATA - TABLE 11	PERCENTAGE OF AUDITS RESULTING IN NO ADDITIONAL ASSESSMENT ('NO CHANGE')
AUDIT RESULT	DESCRIPTOR - TABLE 11	FINAL DISPOSITION ('NO CHANGE' OR 'WITH CHANGE')
NUMBER OF RETURNS WITHIN AUDIT RESULT	CALCULATION	[NUMBER OF RETURNS] FOR EACH 'CLASSIFICATION KEY' AND [AUDIT RESULT] COMBINATION
AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT)	CALCULATION	AUDIT RATE CALCULATED BY DIVIDING TOTAL RETURNS EXAMINED (WITHIN [AUDIT RESULT SUBSET]) BY TOTAL RETURNS FILED WITHIN [FILING CHARACTERISTICS SUBSET]
RECOMMENDED ADDITIONAL TAX AND PENALTIES	DATA - TABLE 11	AMOUNT OF ADDITIONAL TAX AND PENALTIES ASSESSED FOR EACH 'CLASSIFICATION KEY' AND [AUDIT RESULT SUBSET] COMBINATION
AVERAGE TAX AND PENALTY PER RETURN (WITHIN AUDIT RESULT)	CALCULATION	AVERAGE TAX AND PENALTY WHEN ADDITIONAL TAX AND PENALTY ASSESSMENT OCCURS (ZERO IS ASSUMED FOR 'NO CHANGE' AUDITS)
POLICY LIMIT	STIPULATED	MAXIMUM AMOUNT PAYABLE FOR ENTIRE POLICY - BASED ON PLAN OFFERED
ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT	CALCULATION	LESSER OF [POLICY LIMIT] AND [AVERAGE TAX AND PENALTY PER RETURN (WITHIN [AUDIT RESULT SUBSET])]
ASSESSMENT CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	AUDIT RATE FOR RETURNS (WITHIN [AUDIT RESULT SUBSET]) MULTIPLIED BY [ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT]
REPRESENTATION LIMIT	STIPULATED	MAXIMUM AMOUNT PAYABLE FOR REPRESENTATION PER POLICY - BASED ON PLAN OFFERED
POLICY LIMIT REMAINDER	CALCULATION	[POLICY LIMIT] MINUS [ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT]
ACTUAL REP CLAIM EXPOSURE PER AUDIT	CALCULATION	LESSER OF [POLICY LIMIT REMAINDER] AND [REPRESENTATION LIMIT]
REP CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	AUDIT RATE FOR RETURNS (WITHIN [AUDIT RESULT SUBSET]) MULTIPLIED BY [ACTUAL REP CLAIM EXPOSURE PER AUDIT]
COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	[ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT] PLUS [REP CLAIM EXPOSURE PER POLICY SOLD]
TOTAL CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	SUM OF COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD FOR ENTIRE [FILING CHARACTERISTICS SUBSET]

Figure 2B

TYPE OF RETURN	FILING_CHARACTERISTICS_SUBSET	RETURNS FILED	TYPE OF AUDIT_SUBSET	RETURNS EXAMINED	NO CHANGE %
TABLE 11	TABLE 11	TABLE 11	TABLE 11	TABLE 11	TABLE 11

REVENUE AGENT	40824	11%
TAX AUDITOR	28137	31%
SERVICE CENTER	31118	35%

1040A - TPI < \$25,000	45343300
NON-1040A - TPI < \$25,000	17923300
TPI \$25,000 < \$50,000	28292600
TPI \$50,000 < \$100,000	19443700
TPI \$100,000 AND OVER	8044700
SCH C - TGR < \$25,000	2530100
SCH C - TGR \$25,000 < \$100,000	3228300
SCH C - TGR \$100,000 AND OVER	1835500
SCH F - TGR < \$100,000	424500
SCH F - TGR \$100,000 AND OVER	276400

INDIVIDUAL

CORPORATION

Figure 2C

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AUDIT RESULT	NUMBER OF RETURNS WITHIN AUDIT RESULT	AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT)	RECOMMENDED ADDITIONAL TAX AND PENALTIES	AVERAGE TAX AND PENALTY PER RETURN (WITHIN AUDIT RESULT)	POLICY LIMIT	ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT
TABLE 11	SECTION 1.1.2.1 CALCULATION	SECTION 1.1.2.2 CALCULATION	TABLE 11	SECTION 1.1.2.3 CALCULATION	PRODUCT DEVELOPMENT	SECTION 1.1.4.1 CALCULATION
	(NUMBER OF RETURNS) TIMES NO CHANGE %	(NUMBER OF RETURNS WITHIN AUDIT RESULT) DIVIDED BY (RETURNS FILED WITHIN FILING CHARACTERISTICS SUBSET)		ASSUMED TO BE ZERO	BASIC PLAN	LESSER OF (POLICY LIMIT) AND (AVERAGE TAX AND PENALTY PER RETURN (WITHIN AUDIT RESULT))
NO CHANGE	4481 8722 11202	0.07429 0.14430 0.18533	1,287,185,000 176,516,000 136,277,000	- - -	- - -	- - -
	(NUMBER OF RETURNS) MINUS (NUMBER OF RETURNS WITH NO CHANGE)	(NUMBER OF RETURNS WITHIN AUDIT RESULT) DIVIDED BY (RETURNS FILED WITHIN FILING CHARACTERISTICS SUBSET)		(RECOMMENDED ADDITIONAL TAX AND PENALTY) DIVIDED BY (NUMBER OF RETURNS WITH CHANGE)	BASIC PLAN	
WITH CHANGE	38333 19416 19916	0.60108 0.32118 0.329471		35,427 9,062 8,842.75	- - -	7,500 7,500 8,843

Figure 2D

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ASSESSMENT CLAIM EXPOSURE PER POLICY SOLD	REPRESENTATION LIMIT	POLICY LIMIT REMAINDER	ACTUAL REP CLAIM EXPOSURE PER AUDIT	REP CLAIM EXPOSURE PER POLICY SOLD	COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD	TOTAL CLAIM EXPOSURE PER POLICY SOLD
SECTION 1.1.4.2 CALCULATION	PRODUCT DEVELOPMENT	SECTION 1.1.4.3 CALCULATION	SECTION 1.1.4.3 CALCULATION	SECTION 1.1.4.4 CALCULATION	SECTION 1.1.4.5 CALCULATION	SECTION 1.1.4.6 CALCULATION
AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT) MULTIPLIED BY ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT	BASIC PLAN	[POLICY LIMIT] MINUS [ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT]	LESSER OF [POLICY LIMIT REMAINDER] AND REPRESENTATION LI MIT)	AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT) MULTIPLIED BY ACTUAL REP CLAIM EXPOSURE PER AUDIT	[ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT] PLUS [REP CLAIM EXPOSURE PER POLICY SOLD]	SUM OF COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD
\$ -	\$ 1,500	\$ 7,500	1,500	1.114	\$ 1.114	1.11
\$ -	\$ 1,500	\$ 7,500	1,500	2.164	\$ 2.164	2.16
\$ -	\$ 200	\$ 7,500	200	0.371	\$ 0.371	0.37

BASIC PLAN			
45.08	\$ 1,500	\$ -	\$ -
24.09	\$ 1,500	\$ -	\$ -
22.54	\$ 300	\$ 657	\$ 0.988
			\$ 45.08
			\$ 24.09
			\$ 23.53

\$ 96,352

Figure 2E



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Continued on Part 2

1998 Data Book – Table 11 (By Classification and Type of Audit)

Figure 2F (Part 1)

1998 Data Book – Table 11 (by Classification and Type of Agency)													
CATEGORY	CATEGORY DESCRIPTION	RETURNS	TOTAL				REVENUE AGENT (CEP + NON-CEP)						
			DELTA %	AUDITS	AUDIT RATE	\$ (1,000's)	AVG \$	DELTA %	AUDITS	AUDIT RATE	\$ (1,000'S)	AVE \$	
ALL	CHANGE		79.55	948,886	0.7885%	\$ 6,095,701	\$ 6,424	88	147,888	0.1229%	\$ 3,028,001	\$ 20,475	
	NO CHANGE		20.45	243,885	0.2027%	\$ -	\$ -	12	20,166	0.0168%	\$ -	\$ -	
	ALL	120,342,400	100.00	1,192,780	0.9912%	\$ 6,095,701	\$ 5,110	100	168,054	0.1396%	\$ 3,028,001	\$ 18,018	
A	CHANGE		81.54	419,933	0.9261%	\$ 1,688,896	\$ 4,022	91	14,708	0.0324%	\$ 181,540	\$ 12,343	
	NO CHANGE		18.46	95,082	0.2097%	\$ -	\$ -	9	1,455	0.0032%	\$ -	\$ -	
	ALL	43,343,300	100.00	515,015	1.1358%	\$ 1,688,896	\$ 3,279	100	16,163	0.0356%	\$ 181,540	\$ 11,232	
B	CHANGE		84.25	87,665	0.6784%	\$ 329,672	\$ 3,761	91	10,076	0.0780%	\$ 111,319	\$ 11,047	
	NO CHANGE		15.75	16,385	0.1268%	\$ -	\$ -	9	987	0.0077%	\$ -	\$ -	
	ALL	12,923,300	100.00	104,050	0.8051%	\$ 329,672	\$ 3,168	100	11,073	0.0857%	\$ 111,319	\$ 10,053	
C	CHANGE		86.91	143,541	0.5073%	\$ 462,193	\$ 3,220	91	14,848	0.0525%	\$ 155,792	\$ 10,492	
	NO CHANGE		13.09	21,627	0.0764%	\$ -	\$ -	9	1,469	0.0052%	\$ -	\$ -	
	ALL	28,292,600	100.00	165,168	0.5838%	\$ 462,193	\$ 2,798	100	16,317	0.0577%	\$ 155,792	\$ 9,548	
D	CHANGE		83.82	101,740	0.5233%	\$ 384,762	\$ 3,782	90	15,035	0.0773%	\$ 167,792	\$ 11,160	
	NO CHANGE		16.18	19,645	0.1010%	\$ -	\$ -	10	1,671	0.0086%	\$ -	\$ -	
	ALL	19,443,700	100.00	121,384	0.6243%	\$ 384,762	\$ 3,170	100	16,705	0.0859%	\$ 167,792	\$ 10,044	
A-D	CHANGE		83.13	752,879	0.7102%	\$ 2,865,523	\$ 3,808	91	54,688	0.0518%	\$ 616,443	\$ 11,276	
	NO CHANGE		16.87	152,738	0.1441%	\$ -	\$ -	9	5,590	0.0053%	\$ -	\$ -	
	ALL	106,002,900	100.00	905,617	0.8543%	\$ 2,865,523	\$ 3,164	100	60,258	0.0568%	\$ 616,443	\$ 10,230	
E	CHANGE		75.60	75,683	1.2517%	\$ 1,599,978	\$ 21,146	89	36,333	0.6011%	\$ 1,287,185	\$ 35,427	
	NO CHANGE		24.40	24,416	0.4039%	\$ -	\$ -	11	4,491	0.0743%	\$ -	\$ -	
	ALL	6,044,700	100.00	100,079	1.6556%	\$ 1,599,978	\$ 15,987	100	40,824	0.6754%	\$ 1,287,185	\$ 31,530	
F	CHANGE		80.40	48,259	1.9074%	\$ 224,266	\$ 4,647	92	7,963	0.3147%	\$ 93,061	\$ 11,687	
	NO CHANGE		19.60	11,764	0.4650%	\$ -	\$ -	8	692	0.0274%	\$ -	\$ -	
	ALL	2,530,100	100.00	60,023	2.3724%	\$ 224,266	\$ 3,736	100	8,655	0.3421%	\$ 93,061	\$ 10,752	
G	CHANGE		85.17	50,147	0.15534%	\$ 351,133	\$ 7,002	89	14,136	0.4379%	\$ 154,773	\$ 10,949	
	NO CHANGE		14.83	8,730	0.2704%	\$ -	\$ -	11	1,747	0.541%	\$ -	\$ -	
	ALL	3,228,300	100.00	58,877	0.18238%	\$ 351,133	\$ 5,964	100	15,883	0.4920%	\$ 154,773	\$ 9,745	
H	CHANGE		80.83	48,276	2.6301%	\$ 988,299	\$ 20,058	84	32,796	1.7868%	\$ 799,940	\$ 24,391	
	NO CHANGE		19.17	11,452	0.6239%	\$ -	\$ -	16	6,247	0.3403%	\$ -	\$ -	
	ALL	1,835,500	100.00	59,728	3.2540%	\$ 988,299	\$ 16,212	100	39,043	2.1271%	\$ 799,940	\$ 20,489	
I	CHANGE		75.46	2,980	0.7020%	\$ 11,355	\$ 3,811	82	809	0.1905%	\$ 7,041	\$ 8,709	
	NO CHANGE		24.54	969	0.2283%	\$ -	\$ -	18	177	0.0418%	\$ -	\$ -	
	ALL	424,500	100.00	3,949	0.9303%	\$ 11,355	\$ 2,875	100	986	0.2323%	\$ 7,041	\$ 7,141	
J	CHANGE		80.03	3,607	1.3049%	\$ 76,366	\$ 21,173	82	1,972	0.7135%	\$ 69,558	\$ 35,271	
	NO CHANGE		19.97	900	0.3257%	\$ -	\$ -	18	433	0.1566%	\$ -	\$ -	
	ALL	276,400	100.00	4,507	0.16308%	\$ 76,366	\$ 16,944	100	2,405	0.8701%	\$ 69,558	\$ 28,922	
CATEGORY 3	CHANGE		81.92	153,268	1.9478%	\$ 1,407,153	\$ 9,181	86	57,675	0.6953	\$ 1,031,312	\$ 17,881	
	NO CHANGE		18.08	33,816	0.4077%	\$ -	\$ -	14	9,297	0.1121%	\$ -	\$ -	
	ALL	8,294,800	100.00	187,084	2.2564%	\$ 1,407,153	\$ 7,522	100	66,972	0.8074%	\$ 1,031,312	\$ 15,399	



Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

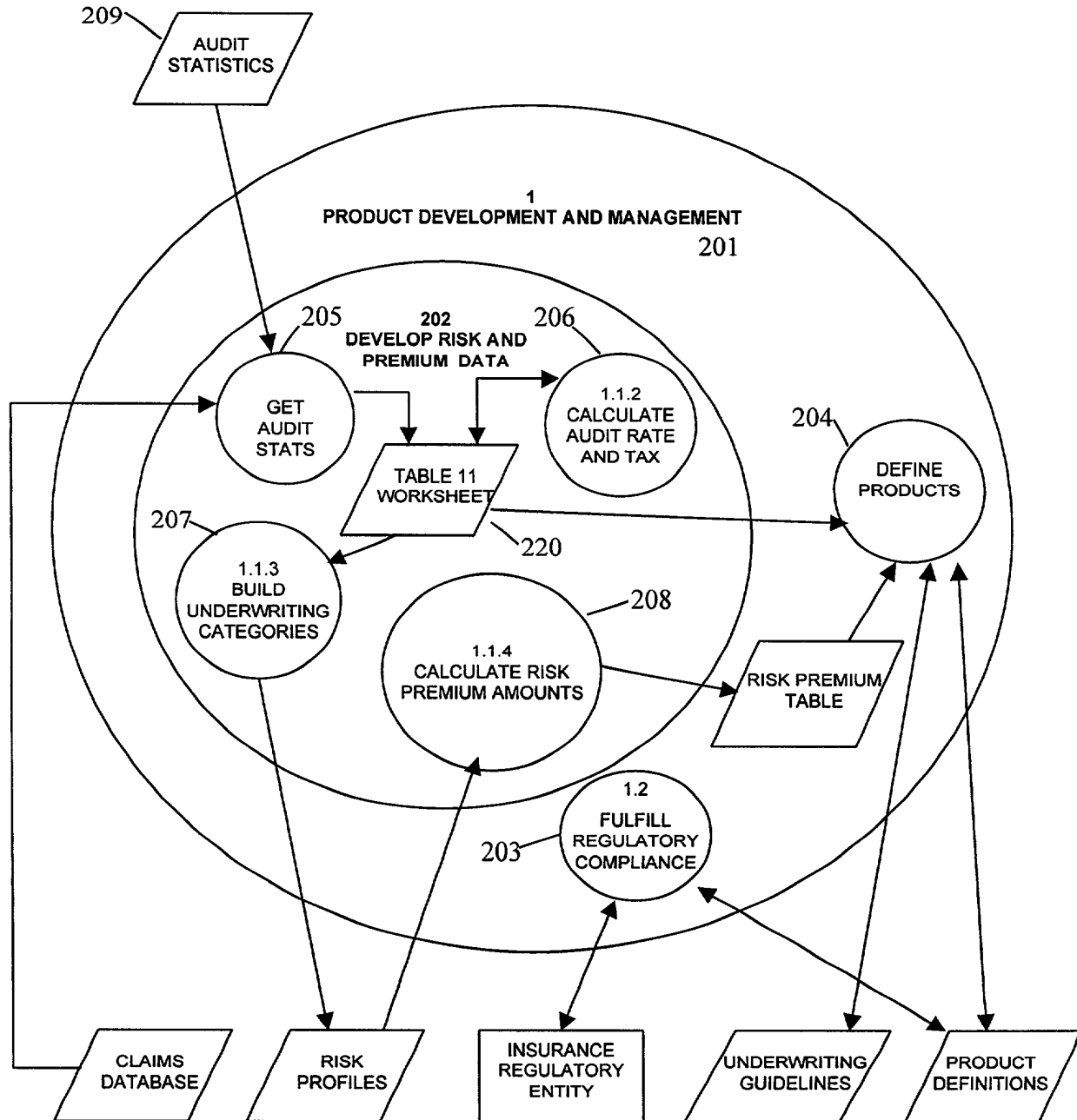


FIG. 3

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

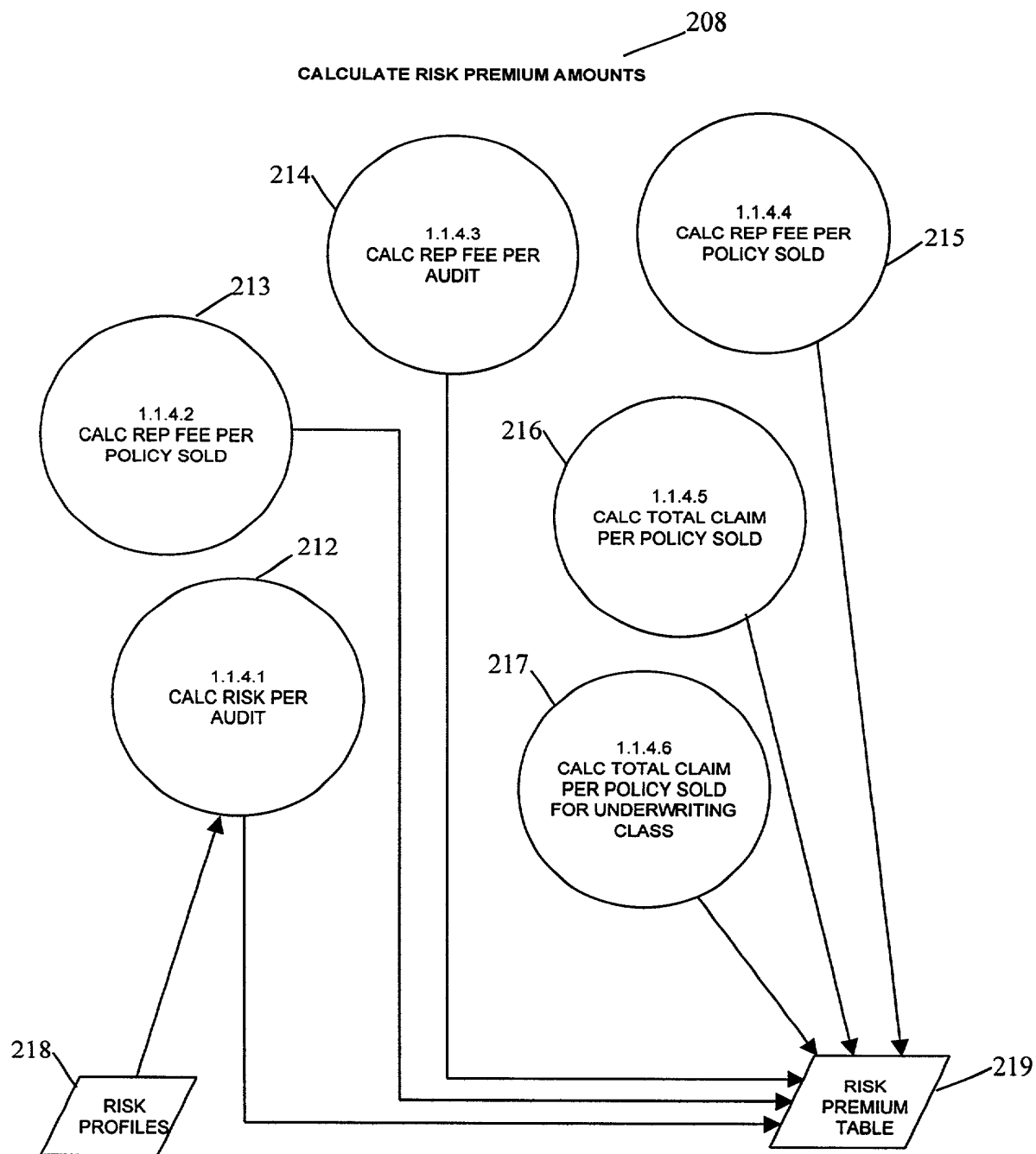


FIG. 4

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Inventor(s): Daniel V. Walker et al.  
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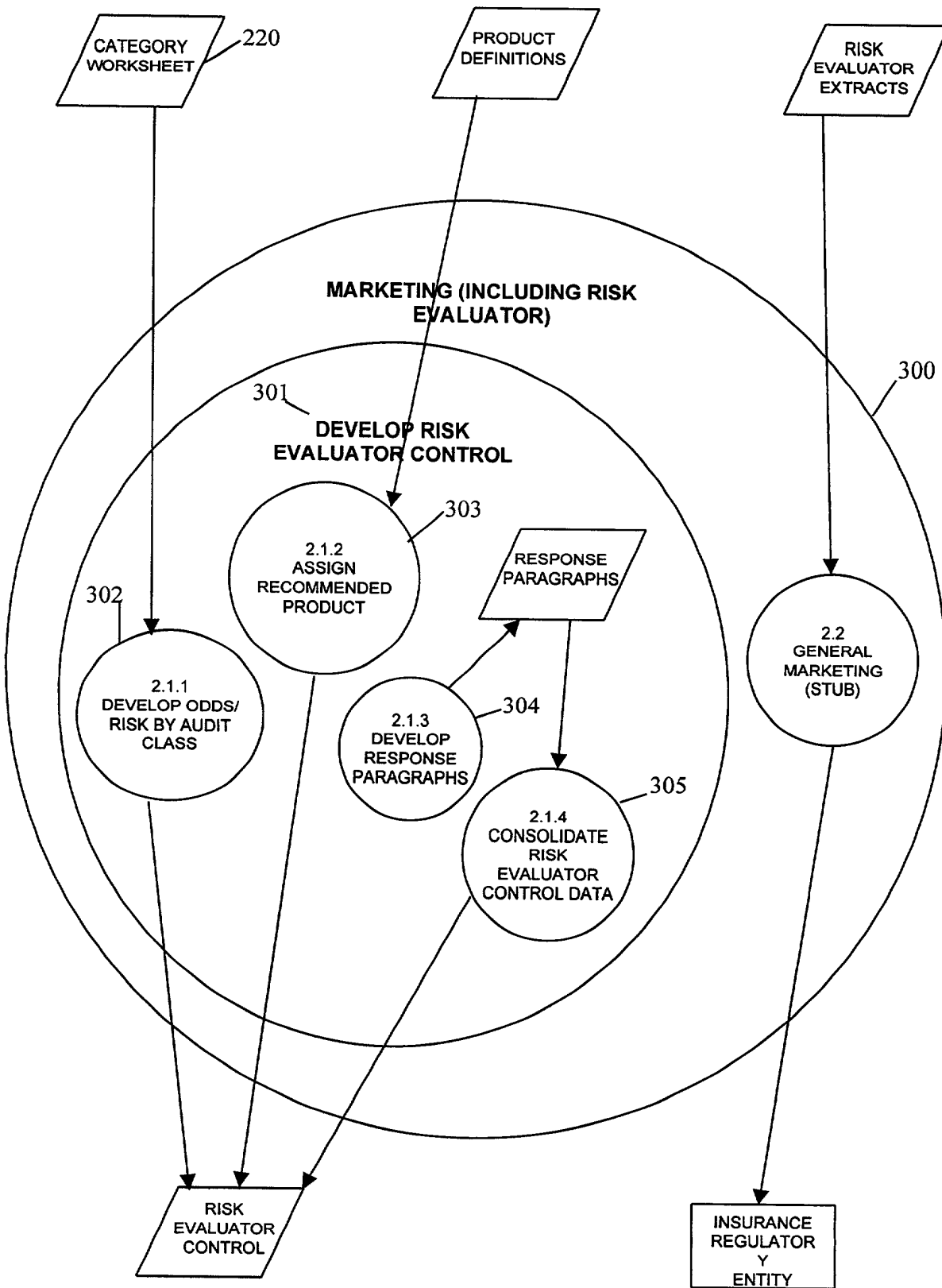


FIG. 5

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.

DOCKET NO.: 084478/0104

## Risk Evaluator Questionnaire

1) Who prepares your tax return?

- ☐ Self ☒ Enrolled Agent  
☐ CPA ☐ Licensed Tax Professional

1a) If you prepare your own tax return, how did you prepare it?

- ☒ Manually ☐ TaxCut™  
☐ Online ☐ TaxSaver™  
☐ TurboTax™ ☐ Other \_\_\_\_\_

2) Did you file using a 1040A form (the short form)?

- ☐ Yes  
☒ No

3) What is your occupation?

Professional

4) What is your total income range?

\$50,000 - \$100,000

5) Did you file a schedule C (business) or F (farm)?

- ☒ Yes  
☐ No

If yes, Total Gross Receipts on Schedule C (Business) \$25,000 - \$100,000

If yes, Total Gross Receipts on Schedule F (Farm) N/A

Figure 6A

Title: METHOD AND SYSTEM  
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6) **Did you file any of the following schedules?**

(check all that apply)

☒ Schedule A (Itemized Deductions)

☒ Schedule D (Capital Gains / Losses)

☐ Schedule E (Rental, or Sub S Corp, or Partnership)

---

7) **What is your residence's 5-digit Zip Code?**

95403

---

8) **What is your e-mail address?**

Please enter your e-mail address below if you would like to receive helpful tax tips, and updates about new products. We do not share our information with any other companies.

TESTAPPL@TAXINSURANCE.COM

Evaluate Risk

**Think you won't get audited by the IRS?**

In the time it took you to fill out this form nearly 10 more people have been selected for an IRS audit.

Figure 6B

## Risk Evaluator Results

### **Are you prepared to PAY?**

**Average additional taxes and penalties** assessed in your category in past years is

**\$6,352.00**

**Your risk of being audited by the IRS**, based on past statistics for taxpayers matching your risk profile is:

**1 in 39**

(For comparative purposes, the risk of a major auto accident is 1 in 240 and the risk of a house fire is 1 in 1200)

### **Your Low-Cost Solution! Purchase...**

#### **PREMIER TAX INSURANCE**

Pays additional taxes assessed by the IRS in an audit, and pays your own tax professional to represent you (up to 20% of policy coverage amount). Single payment provides \$2,500 coverage for tax return for 4 years. (Copy of Schedule C required with application -- Fax to 707-579-2040)

\$2,500.00 COVERAGE:	\$159
\$7,500.00 COVERAGE:	\$321

Figure 6C



Title: METHOD AND SYSTEM  
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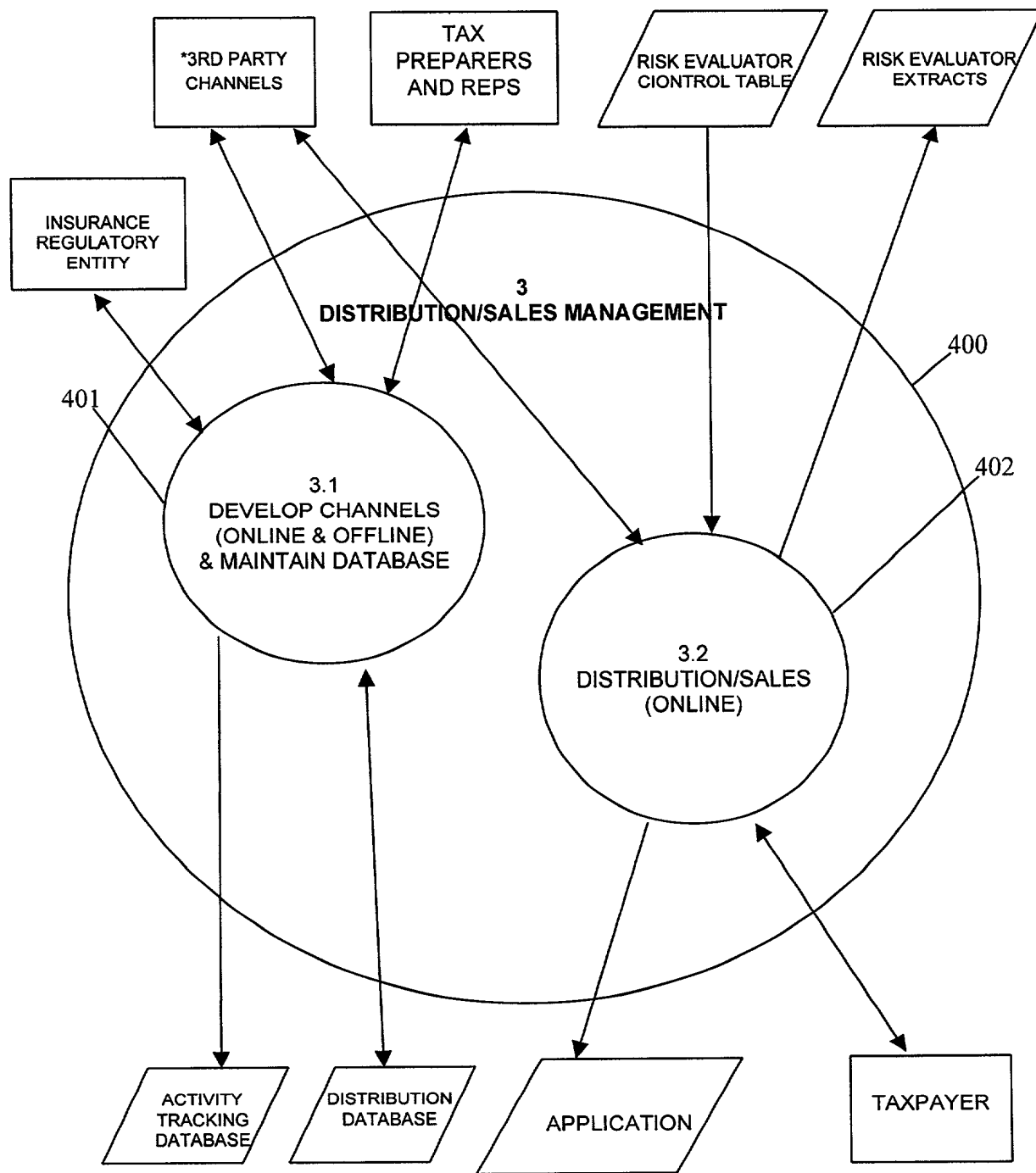


FIG. 7A

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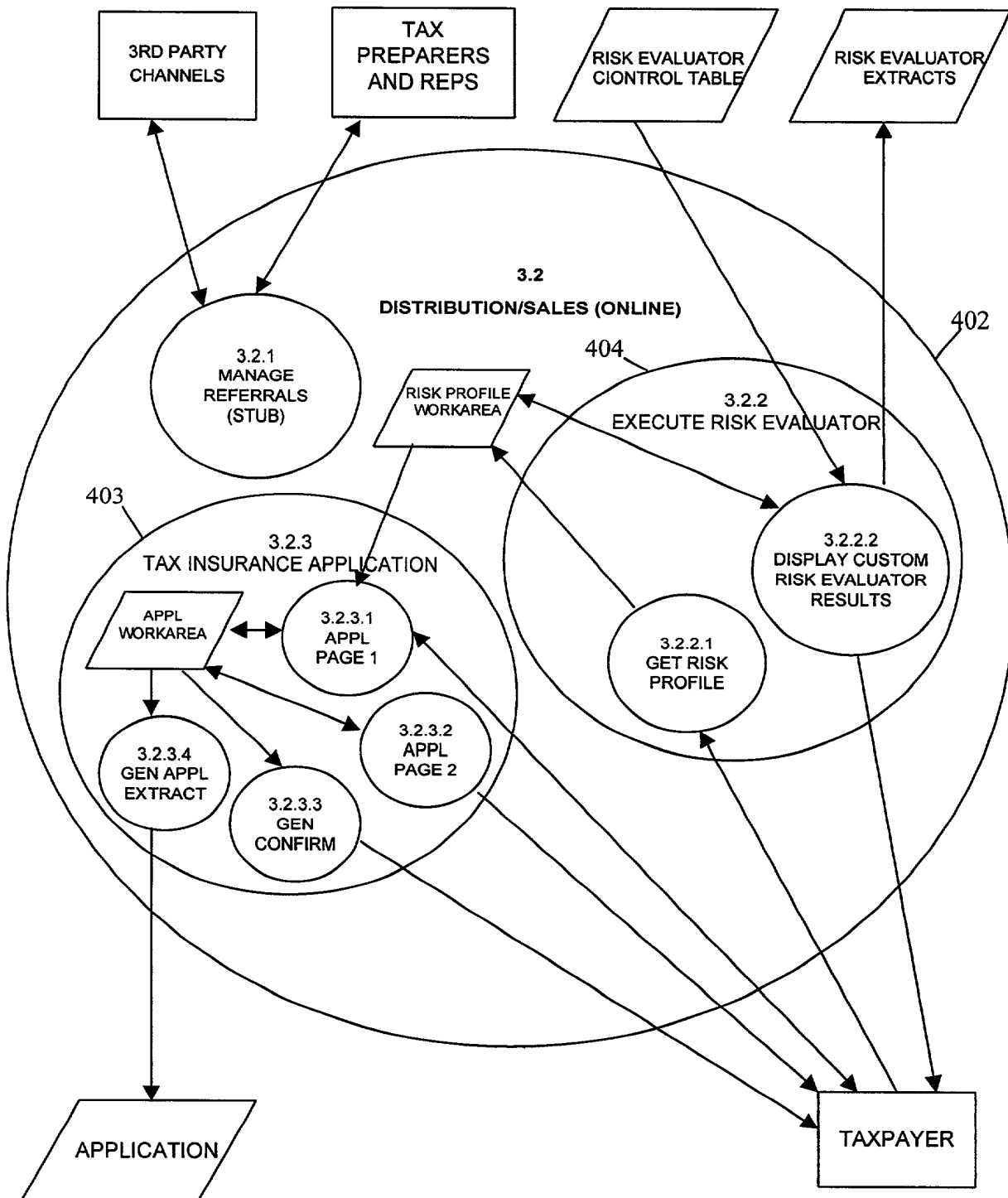
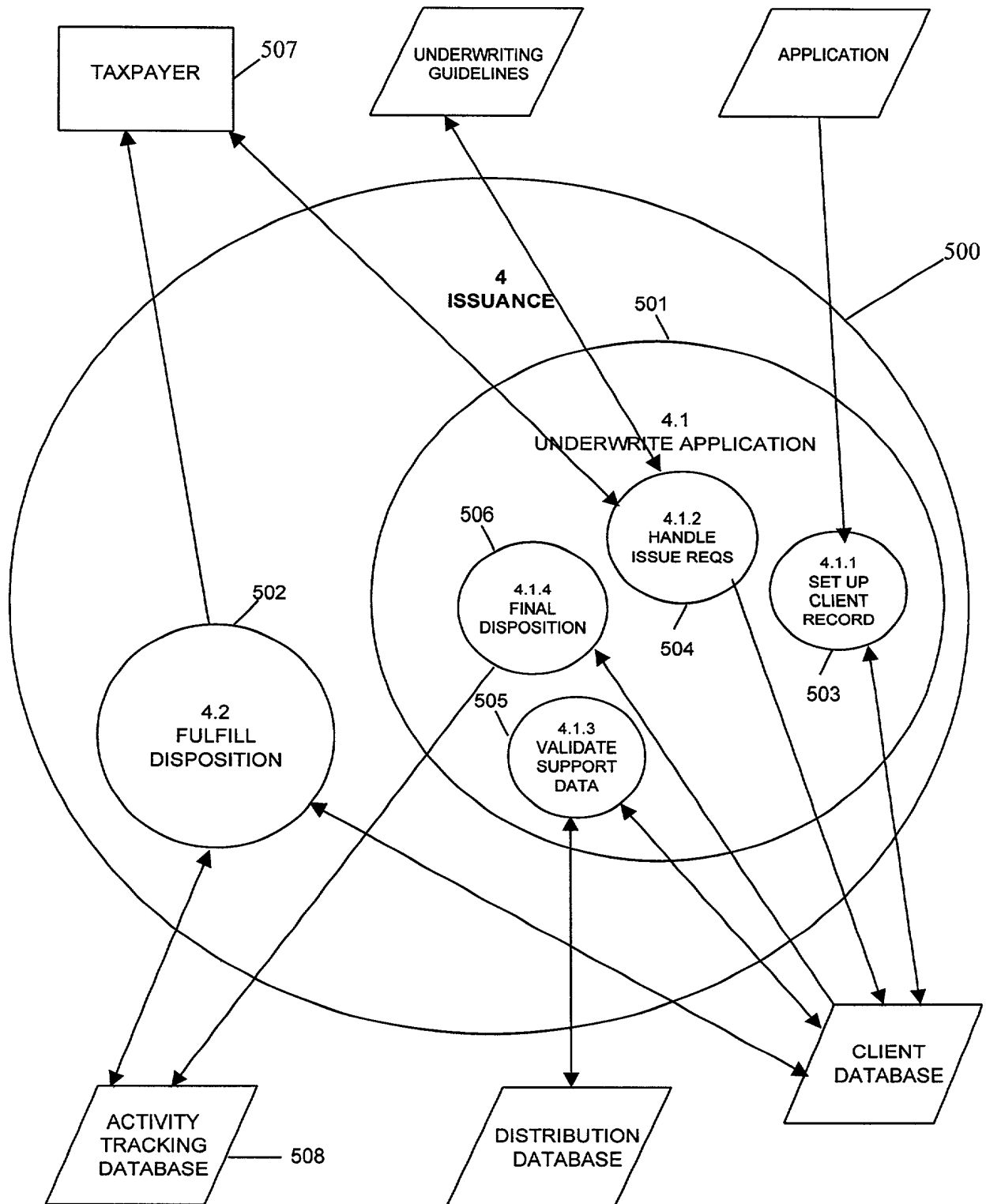


FIG. 7B



Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

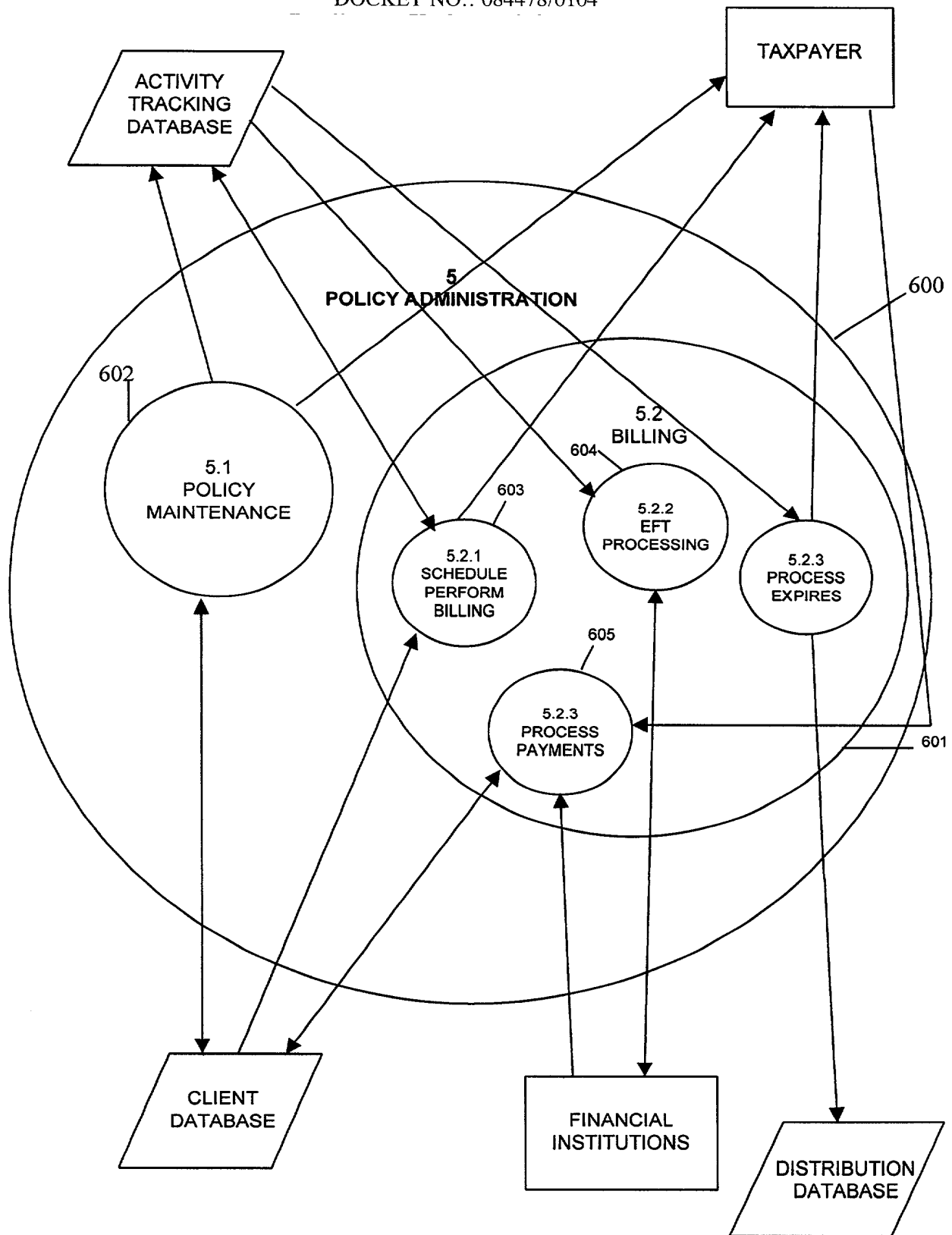


FIG. 9

Title: METHOD AND SYSTEM  
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INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

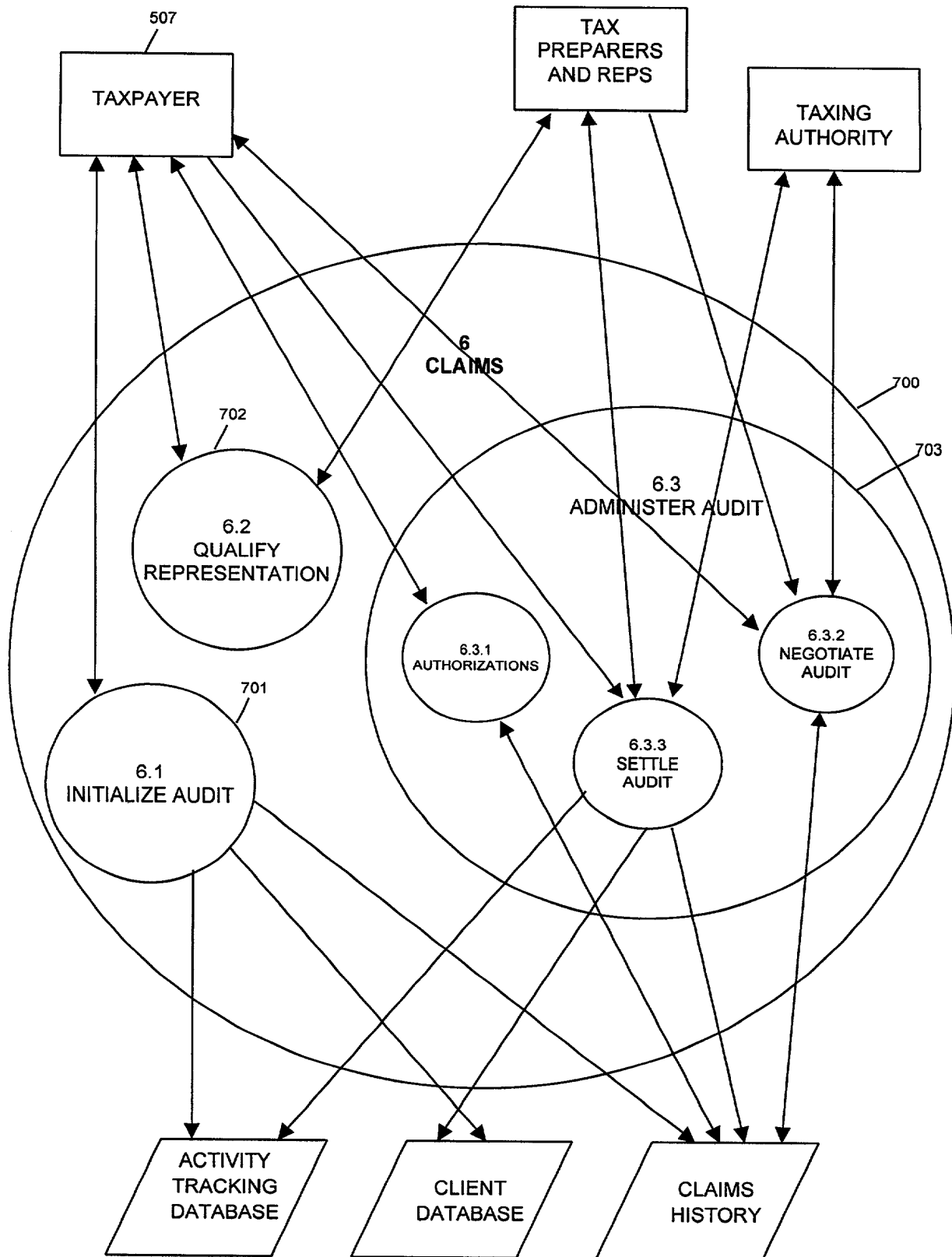


FIG. 10

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.

DOCKET NO.: 084478/0104

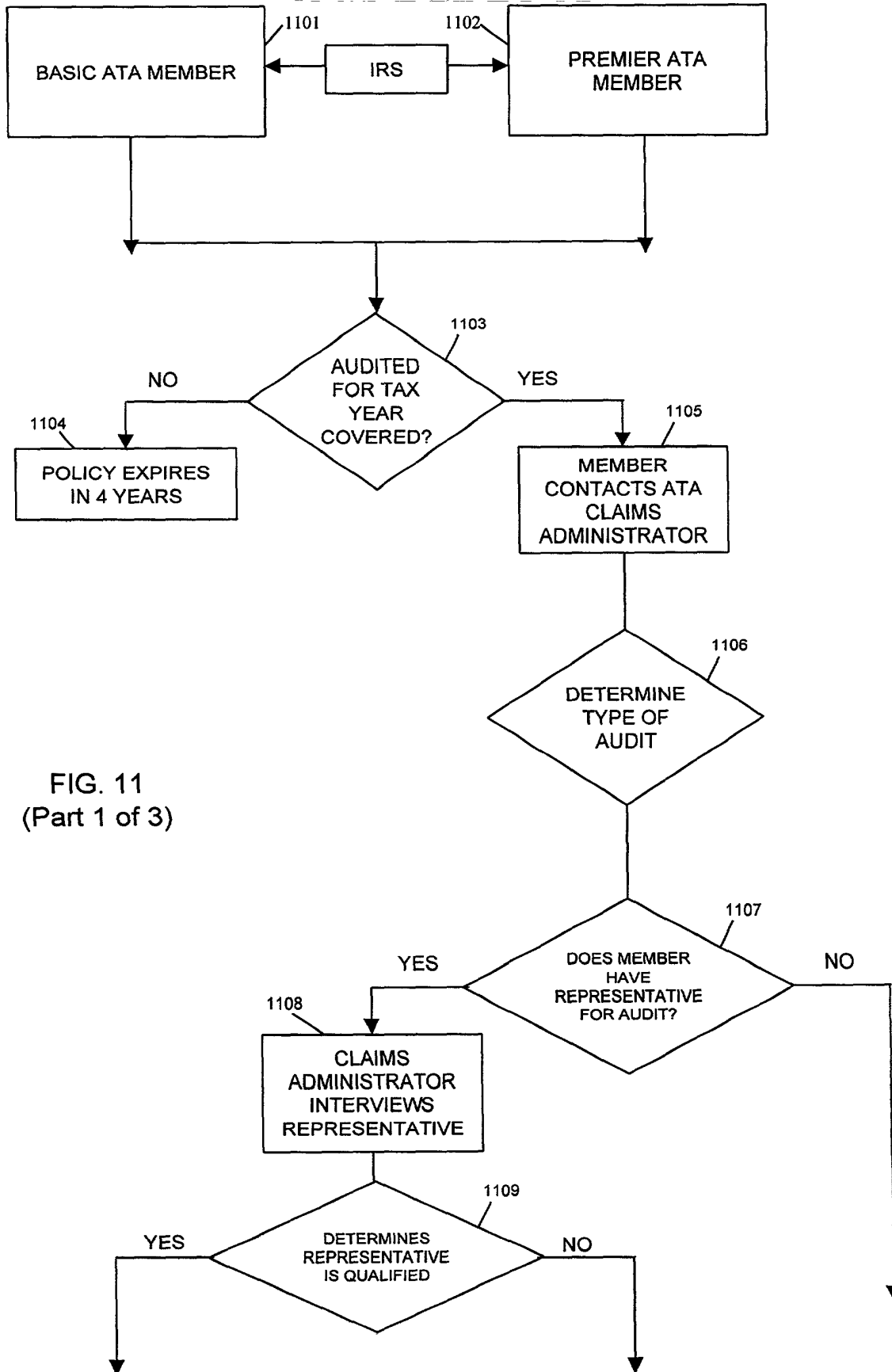


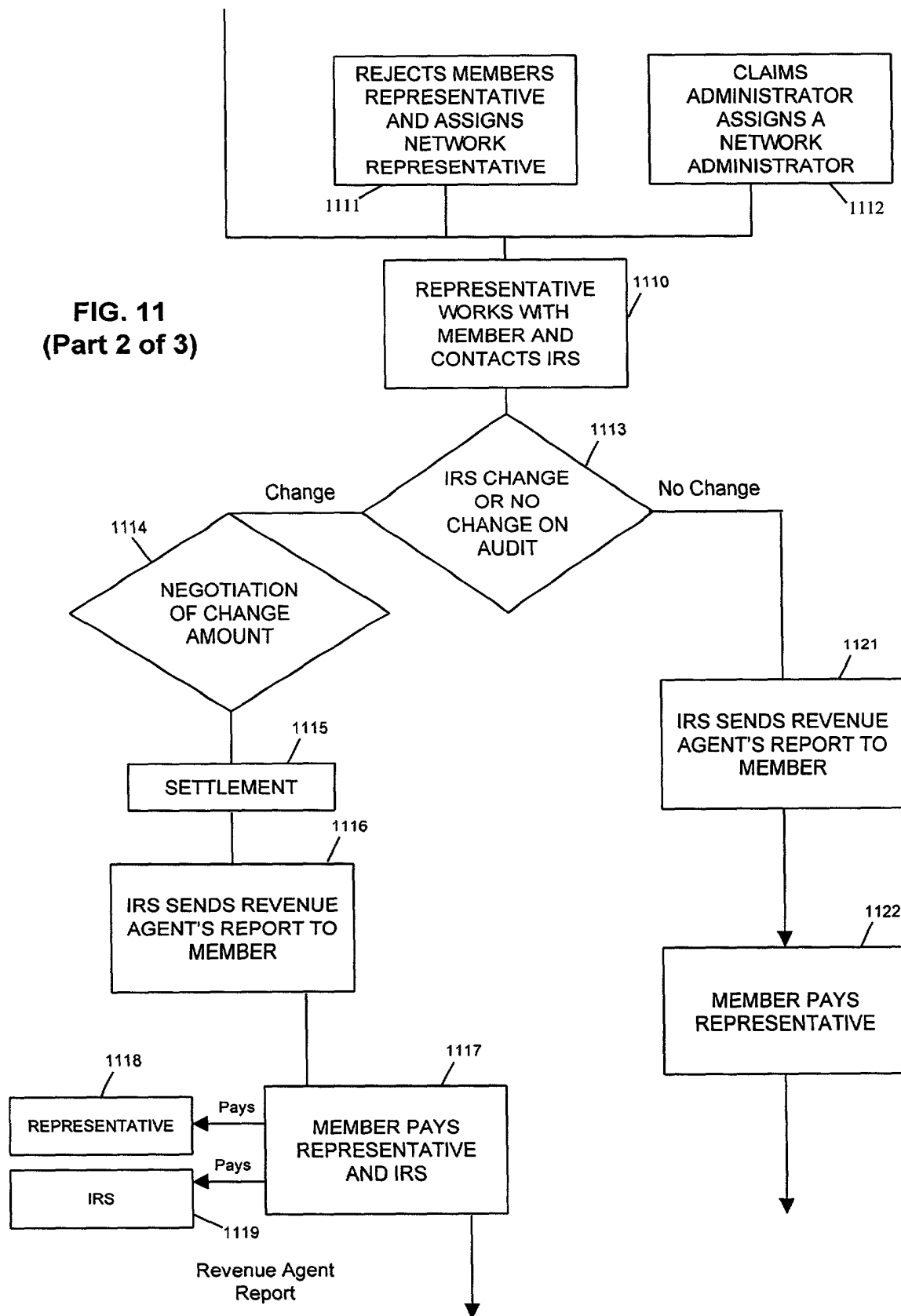
FIG. 11  
(Part 1 of 3)

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

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FIG. 11  
(Part 2 of 3)



Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
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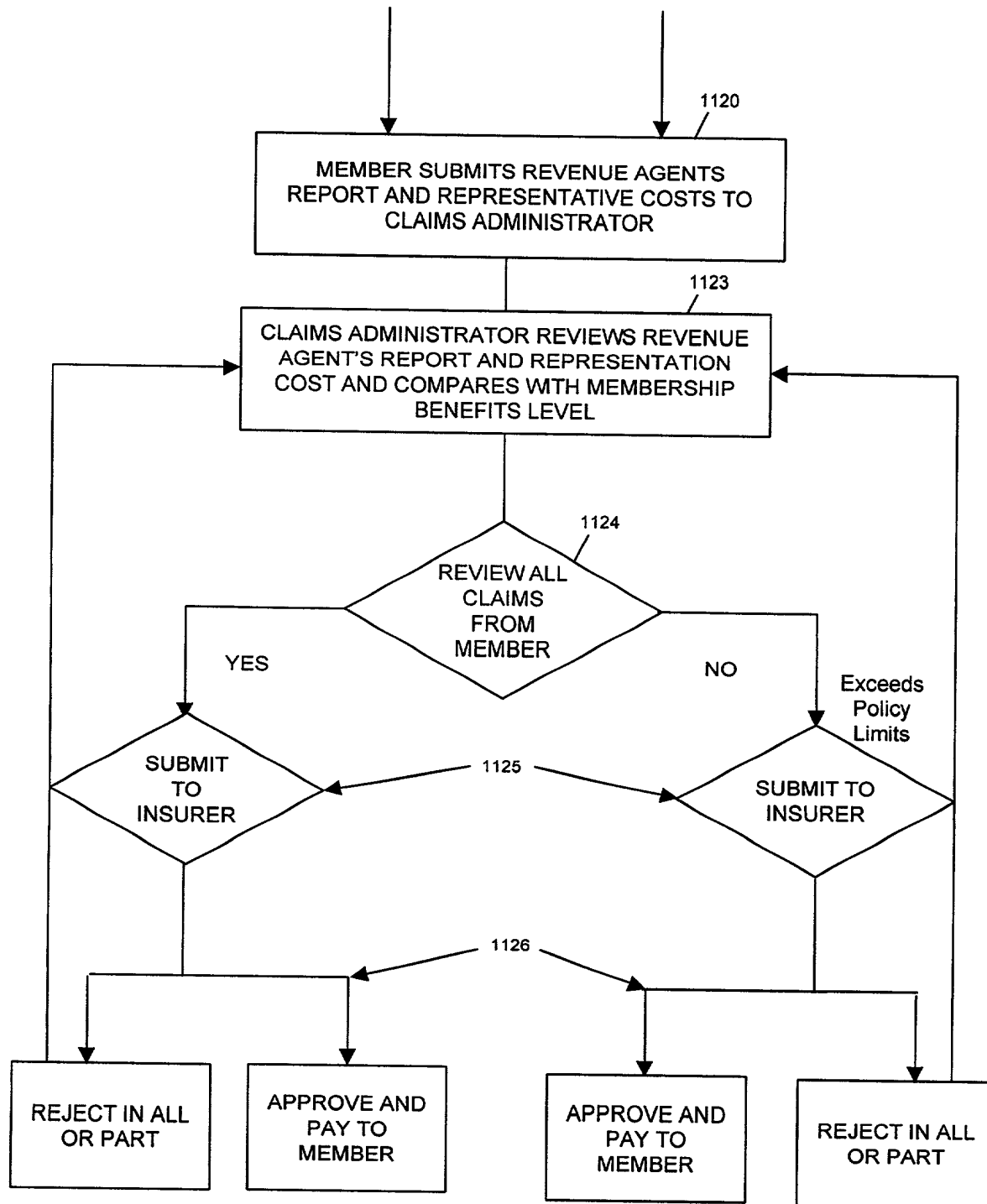


FIG. 11 (Part 3 of 3)



Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

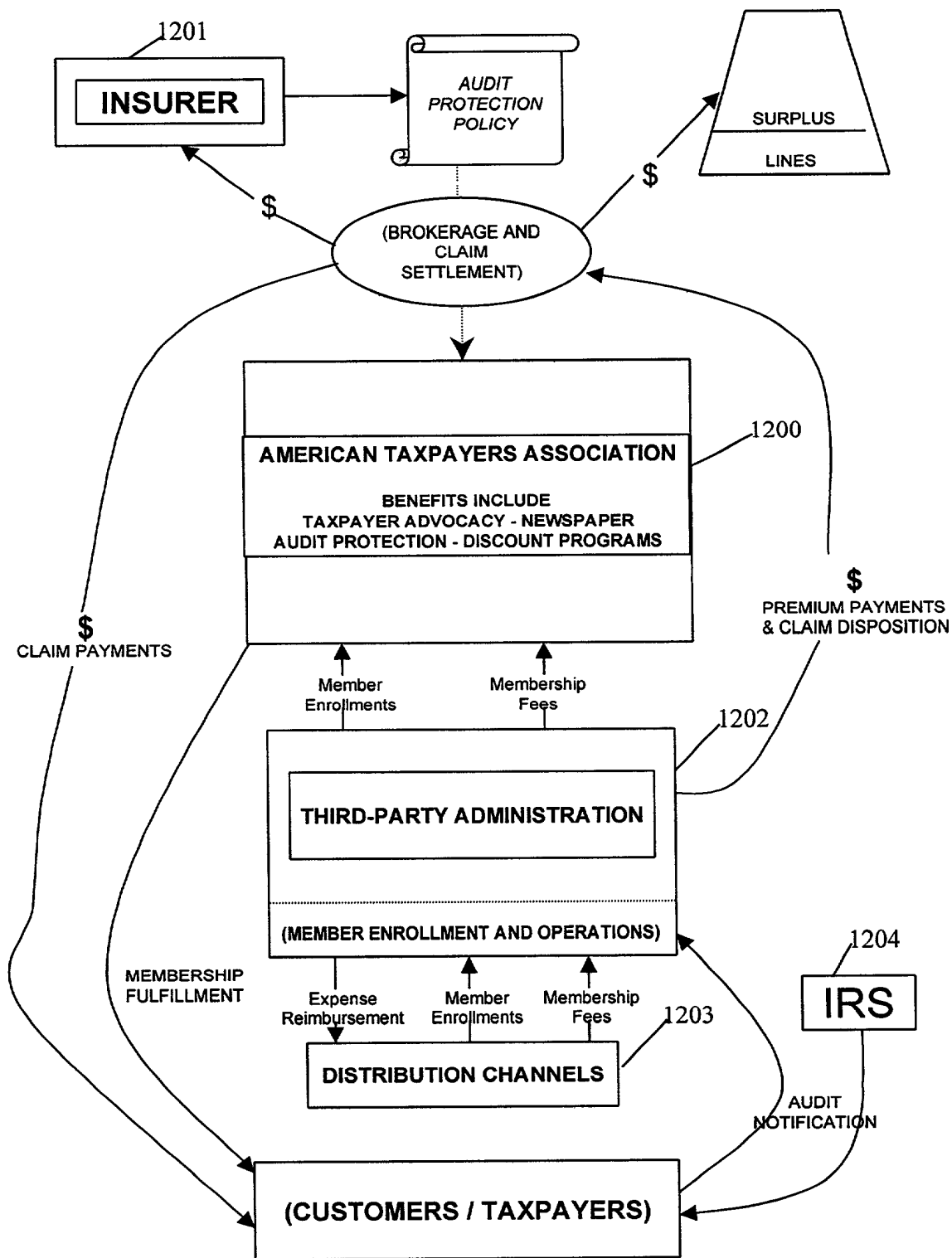


FIG. 12

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.

DOCKET NO.: 084478/0104

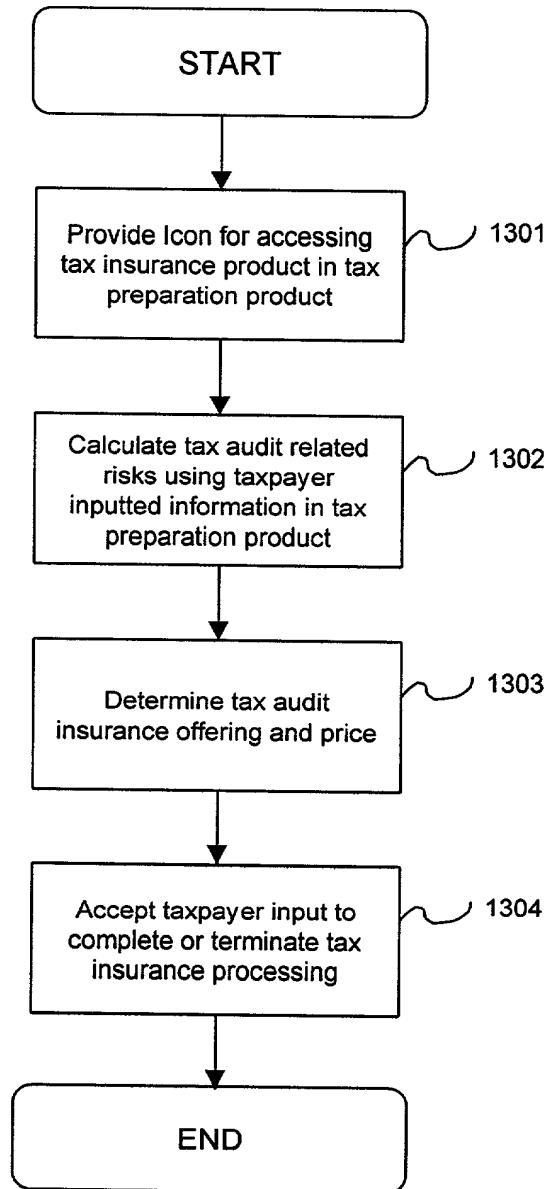


FIG. 13

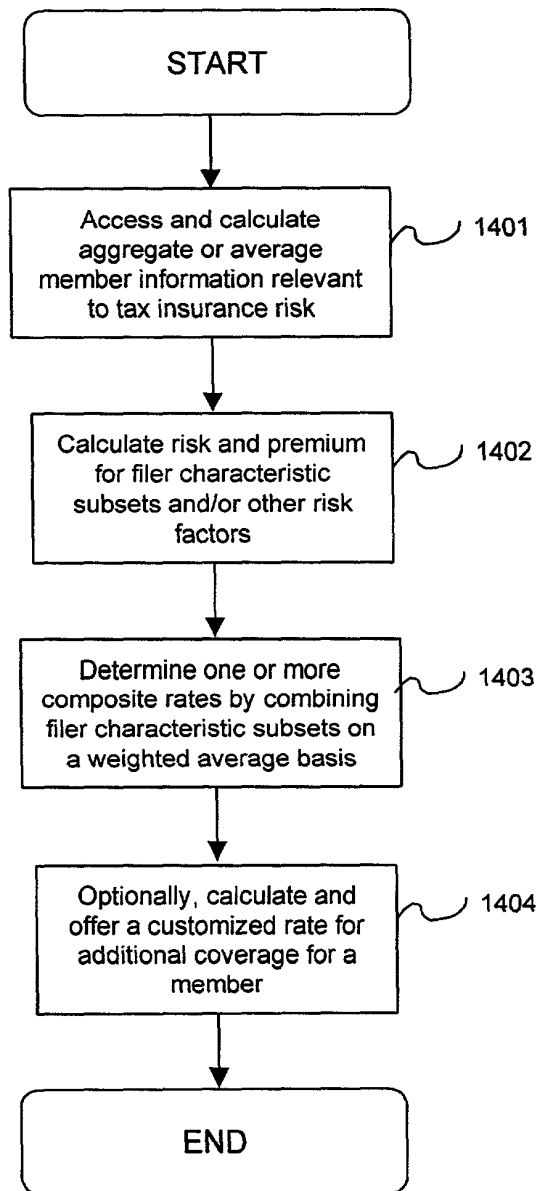


FIG. 14